

## **Elmbridge Borough Council's response to Government's Future of the New Homes Bonus consultation (February 2021)**

### **Question 1:**

**Do you believe that an incentive like the Bonus has a material and positive effect on behaviour?**

The council considers that incentives like the Bonus have had some material and positive effect on behaviour. In regard to its own functions, this is limited to specific areas as set out in the response to Question 2.

### **Question 2:**

**If you are a local authority, has the Bonus made a material impact on your own behaviour?**

The award of the Bonus has influenced the behaviour of the council insofar as its prioritisation of resources and setting of the annual budget. Without the award, the council will need to reprioritise delivering its services.

The Bonus has also had an impact on behaviour in relation to the council's approach to long-term empty homes. There is greater attention paid to Council Tax records and in particular, in making sure that the data is cleansed and that properties which are no longer empty are recorded as being occupied, such that the records in September properly capture those dwellings which are empty.

Similarly, the council has, since the introduction of the Bonus, introduced various initiatives intended to reduce the number of long-term empty homes (i.e. the offer of grants and loans) and provision of advice and information to owners of said properties. Whilst tackling empty homes has been a key part of the work of the local housing authority, the financial incentives introduced through the Bonus (and indeed the disincentive to oversee year on year increases in the number of long-term empty homes) has been a prompt for more focus on seeking to achieve a reduction in the number of long-term empty homes in the borough.

In regard to the planning however, it is difficult to reach a conclusion to what impact, if any, the Bonus has had in relation to the decision-making process both in relation to the consideration of individual planning applications or the wider questions about the appetite for housing growth.

As required by Section 70 subsection 2 of the Town and Country Planning Act 1990 (as amended), local financial considerations are a matter to which the council has regard to in determining planning applications. Within officers' reports for the determination of planning applications, the Bonus is acknowledged as a grant paid by central government to local councils for increasing the number of homes and their use. Reference is also made to the additional payment for affordable homes and bringing empty properties back into use.

Whilst officers' place great weight on the delivery of the right homes in the right places, applications are determined in accordance with the Development Plan and, if a proposal is unacceptable, it is refused. Consideration of the Bonus would not tilt

this weight and the council would be failing in its duty if it approved an inappropriate development merely to increase the supply of houses and therefore the amount of Bonus awarded.

**Question 3:**

**Are there changes to the Bonus that would make it have a material and positive effect on behaviour?**

As set out in the council's response to Question 2, there are areas where the Bonus has made a material and positive impact on the behaviour of the council for example, the focus on bringing empty properties back into use. Changes to the Bonus which provide an increase in the reward are likely to reinforce these positive behaviours.

However, in regard to the planning system, it is considered important that officers are able to apply their professional judgement in the decision-making process and that applications are determined in accordance with the Development Plan with, the weight to be applied to financial considerations (and other material considerations) determined on a case by case basis.

The concern would be that if the council were to apply significant weight to the award being given for increasing housing growth, this would be viewed by our residents as a way of developers 'buying planning permission'.

**Question 4:**

**Should the government retain the current 80/20 split in any reformed Bonus, or should it be more highly weighted towards the District Councils or County Councils?**

The council would like to see the current district-level share increased as we do not believe that the strategic role of county councils in relation to housing developments really warrants one fifth of the Bonus. All the stages from pre-application advice, application and validation, consultation and publicity, site visits and assessments, recommendation through to decision-making and monitoring are undertaken at the district-level, with the county council being involved only in the infrastructure issues and the provision of information.

**Question 5:**

**Should the affordable housing premium be retained in a reformed Bonus?**

Yes.

The retention of a premium for the delivery of affordable housing is strongly supported by the council.

**Question 6:**

**Is £350 per additional affordable home the right level of premium, or should this level be increased or decreased?**

The premium was introduced to reward local authorities that provide the right balance of housing to meet the needs of local people, ensuring that affordable homes are sufficiently prioritised within supply.

Retention of an affordable homes premium is therefore supported as it provides a signal that the delivery of much-needed affordable housing is a shared valued of both Central and Local Government. That said, the value of the premium (both on a per unit basis and locally, in terms of the cumulative value based on annual delivery) could be considered marginal and we believe that at its current level, that it would have a negligible influence on behaviour (either in terms of directly leading to greater numbers of affordable homes being delivered) and similarly have a marginal impact on local authority finances.

Set as a flat rate of £350 per additional affordable home across the Country the premium takes no account of the levels of housing need in each borough / district nor does it reflect the significant challenge that some local authorities face in delivering affordable housing and the resources put into the process. For example, constrained land supply or above average land values and property prices can significantly impact on viability and the delivery of affordable housing.

As such, the council considers that the £350 per additional affordable homes should be taken as a minimum however, that this should be increased up to, for example, £500 - £1,000, in those areas with the highest affordability ratios. This would recognise the particularly challenging context that some local authorities face when seeking to meet the housing needs of local people and, act as a greater incentive.

In justifying an increase of up to £1,000 per additional affordable home, the council would argue that as affordable housing is granted a social housing relief / exemption from the payment of the Community Infrastructure Levy (CIL), the increase in the award would be an off-set and could be used to provide / maintain key infrastructure and services and facilities required to support housing growth.

Any increase in the amount should be met through further resources rather than being top sliced from the existing budget.

**Question 7:**

**Should a reformed Bonus continue to reward local authorities for long-term empty homes brought back in to use?**

Yes

As with the delivery of affordable housing, it is considered that the challenges and additional resources required to ensure that empty homes are brought back into use is appropriately recognised and incentivised.

**Question 8:**

**Should the Bonus be awarded on the basis of the most recent year of housing delivery or the most recent three years?**

A three-year rolling average would seem to be an appropriate method of allocating the funds, this would smooth large fluctuations in delivery, which is common in the housing market, and provide more certainty over the grant levels for local authorities. This would allow for improved financial planning and allow local authorities to take a longer-term view on housing delivery.

**Question 9:**

**Do you agree that the baseline should be raised?**

No.

If the baseline is increased it could act initially as a disincentive for the delivery of housing. For example, if local authorities do not feel that they will benefit from a reward because they would not achieve the baseline then that authority may not focus on increasing housing delivery.

**Question 10:**

**If the baseline is to be raised, should it be raised to 0.6%, 0.8% or 1% of housing growth since the preceding year?**

If the baseline is increased, it should be the minimum increase to maintain an incentive for the delivery of housing.

**Question 11:**

**Why should the government opt for the baseline you have recommended in answer to the previous question?**

If the baseline is increased, it should be the minimum increase to maintain an incentive for the delivery of housing across all local authorities.

For example, looking at delivery in the borough over the last 5 years, the council is conscious that if a baseline of more than 0.4% was applied, there would be some years where the authority would not meet the baseline and no Bonus awarded. This could have significant consequences for the prioritisation of the council's services.

Whilst the council appreciates the Government's intention to increase housing delivery, any increase in the baseline needs to be carefully considered in light of what would be for some local authorities, delivery beyond their housing need figure or housing target set within their Local Plan which takes into consideration the constraints on delivery.

**Question 12:**

**If the baseline is to be raised, should this change be combined with higher payment rate?**

Yes.

Given that the funding for the scheme was initially taken from councils' general grant and has been reducing over time, it would seem that retaining the overall funding envelope is essential if the government are genuinely using the methodology to

increase housing delivery. If the overall funding envelope is maintained and the baseline is increased, an increase in payment rate would be required. This would also incentivise councils even further with a greater reward for higher levels of housing delivery.

**Question 13:**

**Should the government adopt a new payment formula for the Bonus which rewards local authorities for improvement on their average past performance with respect to housing growth?**

The council can see the merits in this alternative approach; setting the threshold relative to a local authority's own past performance in respect of housing growth rather than having a single baseline for all authorities. This suggested approach would alleviate some of the council's concerns regarding the likely award of the Bonus, or lack of, should the baseline universally be raised above 0.4%.

That said, whilst the proposed changes to the formula seek to increase the incentive of the Bonus, the current methodology is understood by local authorities. The council is concerned that any fundamental changes would introduce uncertainty and result in a disincentive to housing growth if not fully understood. If a new formula is to be introduced sufficient time must be allowed before it comes into effect, and not agreed for example, six-months before implementation. Local authorities must be given sufficient time for the implications to be understood both in terms of housing delivery and also their short- to medium- term financial arrangements.

**Question 14:**

**If the government is to adopt such a payment formula, above what percentage (x%) of average past net housing additions should the Bonus begin to be paid? In other words, what should the value of x be?**

If the government is to adopt such a payment formula, the x% should be decided as part of a separate consultation with local authorities in a timely manner. The council is opposed to the current drip-feeding of information relating to planning reforms and funding opportunities. In order for an informed response to be given, it is essential that the details of the reforms are given at the sametime so that the implications can be considered in parallel. For example, where to set the x% would depend on whether the government are to hold or maintain the funding envelope (or hopefully increase) to ensure the delivery of housing.

In addition, from the consultation proposals it is not clear whether the government intends for the x% to be set univerrally for all local authorities or on an individual basis. The council is concerned that depending on the level of x, it could still be the case that some local authorities receive no Bonus should it be set too high.

If this methodology was to be used, the baseline should be over a period of time, which would be the same number of years as if a rolling average was used to award the Bonus. So, if a 3-year average was to be used, the baseline would be the latest set of three years data to give an average, which would roll on the same basis as the calculation of the actual.

**Question 15:**

**If the government is to adopt such a payment formula, over what period should the annual average of past net additions be calculated? Should it be a period of 5 years or 10 years?**

Please see the council's response to Question 14.

However, the longer period a baseline is over would mean that it would even out any large fluctuations in delivery because of high (or low) years, especially given the volatility in delivery and the lead in time for housing.

**Question 16:**

**Should the government adopt a new payment formula for the Bonus which rewards either improved performance or high housing growth? Please explain why or why not.**

The council has serious concerns as to the government's preferred approach to set the baseline of 'y' significantly above the current 0.4% baseline as stated in the consultation proposals (Option A). As set out in the council's response to Question 11, based on delivery in the borough over the last 5 years, there would be some periods whereby the authority would not meet a baseline of over 0.4%, let alone anything significantly higher.

As set out in the council's response to Question 13, the council can see the merits of Option B; setting the threshold relative to a local authority's own past performance in respect of housing growth rather than having a single baseline for all authorities. This suggested approach (Option B) would alleviate some of the council's concerns regarding the likely award of the Bonus, or lack of, should the baseline universally be raised above 0.4% (Option A).

In regard to Option C, the council can see why the government would suggest a hybrid. This would continue to incentivise those local authorities with a less successful record of housing delivery and at the same time seek to incentivise those authorities that are capable of and do achieve high levels of housing growth.

As set out in the council's response to Question 13, if a new formula is to be introduced sufficient time must be allowed before it comes into effect, and not agreed for example, six-months before implementation. Local authorities must be given sufficient time for the implications to be understood both in terms of housing delivery and also their short- to medium- term financial arrangements.

**Question 17:**

**Above what percentage (x%) of average past net housing additions should the Bonus begin to be paid? In other words, what should the value of x be in this proposed hybrid payment formula?**

The council is concerned about increasing the complexity of the scheme. However, as set out in response to Question 14, the council does not feel able to make any meaningful observations on this without some illustration of the likely impact.

**Question 18:**

**Above what percentage (y%) increase in the authority's housing stock should the Bonus be paid? In other words, what should the value of y be in this proposed hybrid payment formula?**

If the government is to adopt such a payment formula, the value of y should be decided as part of a full - separate consultation with local authorities in a timely manner and with a full understanding of the formula and implications of other proposals.

**Question 19:**

**Do you agree with the proposal to repurpose the Bonus to balance the effects of the Infrastructure Levy by providing an incentive to authorities to bring forward development in lower value areas?**

In the council's response to the Housing White Paper concern was raised as to the lack of detail provided on the proposal for a single levy to enable a full understanding of the implications it may have on the authority. With no further details forthcoming and the lack of detail regarding this latest proposal, the council again feels unable to give a measured response.

Further details should be provided to local authorities and other stakeholders to inform an appropriate response to both of these proposals prior to any further consideration by the Government.

**Question 20:**

**What, in your view, would be the advantages and disadvantages of repurposing the Bonus in this way?**

The council's concern raised in response to Question 19 stand.

On the basis of the details given, one initial disadvantage of repurposing the Bonus to those authorities in lower value areas, is the potential redirecting of much needed funding for infrastructure in areas which are considered to be higher value. Just because an authority is a higher value area does not negate the need for infrastructure to support development and, in the council's experience, it is often higher value areas which are overlooked for other funding opportunities.

**Question 21:**

**If the option is to be pursued, should this reform to the Bonus be postponed until the new planning system is enacted?**

Yes.

The council feels that both proposals lack sufficient detail to make an informed response. It is therefore believed that reforms to the Bonus should be postponed until the new system is enacted, enabling the council and other authorities to take stock of the implications of the single levy prior to then responding as to whether the Bonus should be repurposed.

**Question 22:**

**In your view, what levers do local authorities have at their disposal to encourage uptake of MMC, and how impactful is such encouragement likely to be?**

To raise awareness of and encourage Modern Methods of Construction (MMC) to become more mainstream, local planning policies should be drafted to require their use and task developers to demonstrate how they have considered MMC in their proposals. Policies would then be supported by Supplementary Planning Documents (SPDs) and / or the emerging Local Design Codes.

As failure to comply with adopted policies and / or guidance could result in the refusal of planning permission, this is considered to be strong encouragement for the uptake of MMC.

**Question 23:**

**Should the Bonus include a premium for new homes built using MMC? Please explain why or why not.**

The council would not object to a premium for new homes built using MMC providing this is not at the expense of any level of premium paid for the delivery of affordable homes or bringing empty properties back into use.

The council would also strongly encourage the Government to introduce a premium for new homes built that incorporate low / zero carbon technologies and meet higher levels of energy efficiency. The council is committed to reducing the carbon footprint of the borough and addressing the causes and consequences of our changing climate. As with other Government priorities relating to the delivery of new homes e.g. affordable housing and bringing empty homes back into use, the delivery of homes with higher levels of energy efficiency should be reflected in the Bonus.

**Question 24:**

**If you are a local authority, would such a premium make a material impact on your behaviour? Would it, for example, encourage you to look for opportunities to bring through developments that are amenable to the use of MMC?**

Whilst the delivery of such units might attach a welcomed premium in the future, the council recognises that faster construction / delivery of new homes; decreased disturbance to the host community of the final development; and reductions in energy use and waste, are more likely to be incentives for encouraging such schemes.

**Question 25:**

**How onerous a data burden would this option impose on local authorities? Do you agree with the proposal to collect the MMC data at the point at which a local authority signs off a building as habitable?**

The process of recording and reporting data on MMC would follow the same process for all increases in the housing stock including, affordable housing. The council

would need to amend its monitoring database to ensure that permissions granted with MMC secured is tracked. Upon the completion of these units this information would be recorded in the database and reported, when required, alongside the submission of the Council Tax Base form.

These amendments / additions to the recording and reporting process are not considered overly onerous and would be required as part of the council's monitoring of its local plan policies and publication of its Authority Monitoring Report (AMR). It should be noted that however, that the sign-off in buildings as habitable is frequently undertaken by private inspectors and this information can be provided months after the completion of some units / sites. It is therefore important that should such information be recorded after the submission of the Council Tax Base for the reporting year, this can be added to following years' submission.

**Question 26:**

**Should the government make it a condition of receiving the Bonus that w% of net additional homes used MMC in order for the Bonus to be paid? If so what should the value of w be?**

No. The council strongly objects to this proposal.

**Question 27:**

**Why should or shouldn't such a condition be introduced?**

Research shows that there are several barriers to increasing the uptake of MMC outside of the Planning System. For example, the increased difficulty in securing capital grants for new homebuilding in comparison to more traditional construction methods as a result of the greater upfront investment required; the sheer diversity of design standards currently available making it difficult to achieve economies of scale and the growing difficulties for developers in recruiting key skills over the past few years in light of Brexit.

With such barriers outside of the control of Local Authorities it is not deemed appropriate that they should be penalised by the removal of the Bonus should a set percentage of net additional homes not use MMC.

**Question 28:**

**Do you think that local authorities should be required to have a local plan, or demonstrate satisfactory progress towards one, in order to receive funding?**

No.

Whilst the existence of a local plan can have a significant impact on planning decisions and control of housing development, it does not of itself change the intentions of a local authority to deliver housing growth / the potential in that area or the amount delivered in a reporting period.

Delayed submission of a local plan can be a consequence of very specific influence outside of the control of the local authority who could, under this proposal, find itself

penalised for the powerful influence of stakeholders such as national developers, government or other tiers of local government.

The proposed amendment does not achieve the aim of government to encourage the delivery of new housing. The impact could have a perverse result. For example, planning departments going under-resourced and / or the infrastructure that could have been funded from the Bonus not being delivered; stalling future housing developments. It could also have a detrimental impact on local communities in terms of the level of service they are afforded from the local authority and the delivery / maintenance of infrastructure projects.

The council does not agree with this proposal and would expect central government to identify a more positive and effective incentive to assist willing authorities submit / show progress in preparing their Local Plans.

**Question 29:**

**Do you think the bonus should be paid at a reduced rate until such time as a local authority has an up-to-date local plan in place, and should it be 25%, 50% or 75%?**

No.

As set out in the council's response to Question 28, it is not considered appropriate to penalise local authorities for not having an up-to-date local plan. Therefore, the council does not support any of the suggested percentages for a reduction in the Bonus awarded.

**Question 30:**

**If you are a local authority, would this encourage you to develop or maintain an up-to-date local plan?**

The Local Plan is fundamental to the operation of the planning system and as such the council does not believe that local authorities require any financial incentive to complete these.

Paying the Bonus at a reduced rate may in fact be counterproductive as it could force the authority to put forward a Local Plan that has not been sufficiently researched or debated or delay the process due to insufficient resourcing of Planning Departments.